

## Message Text

LIMITED OFFICIAL USE

PAGE 01 TOKYO 02226 131315Z

14

ACTION STR-04

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 XMB-02 /113 W

----- 070738

R 131008Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6901

INFO USDEL MTN GENEVA

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE TOKYO 2226

PASS TREASURY AND STR

E. O. 11652: N/A

TAGS: EFIN, ETRD, MTN, JA

SUBJ: JAPAN IS STILL CONSIDERING VAT

REF: MTN GENEVA 0958

1. TAX BUREAU AT MOF HAS BEEN STUDYING ADVANTAGES AND DISADVANTAGES OF INTRODUCING VAT IN JAPAN FOR THE PAST SIX YEARS. IN THAT CONNECTION MOF ASSIGNED TAX BUREAU OFFICIALS TO GERMANY AND U.K. FOR UP TO SIX MONTHS SEVERAL YEARS AGO TO STUDY INTRODUCTION AND IMPLEMENTATION OF THEIR VALUE ADDED TAX SYSTEMS. ARGUMENTS FOR INTRODUCTION EVIDENTLY REMAIN VALID ALTHOUGH GOJ UNLIKELY TO DO  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TOKYO 02226 131315Z

ANYTHING UNTIL JFY 77 AT EARLIEST. TAX COMMISSION HAS RECENTLY

RECOMMENDED ITS ADOPTION SOMETIME IN THE FUTURE.

2. FOR MANY YEARS MOF HAS BEEN CONCERNED ABOUT THE HIGH AND RISING PROPORTION OF DIRECT TAXES IN OVERALL NATIONAL TAX RECEIPTS. PRESENT RATION IS 75-80 PERCENT OF TOTAL TAX RECEIPTS COMPARED WITH SAME RATION OF INDIRECT TAX RECEIPTS BEFORE WORLD WAR II. PROBLEM WITH HIGH DIRECT TAX RECEIPT RATION IS THAT PUBLIC PSYCHOLOGICALLY FEELS AND COMPLAINS THAT IT IS CARRYING HEAVY TAX BURDEN. INCREASE IN PERSONAL EXEMPTION ALMOST EVERY YEAR CONSIDERED BY PUBLIC AS OFFSET TO INFLATION, NOT AN EASING OF TAX BURDEN. MOF OFFICIALS FULLY REALIZE THIS IS PURELY PSYCHOLOGICAL AND THAT RATIO OF TAXES TO NATIONAL INCOME IN JAPAN IS ONE OF LOWEST AMONG INDUSTRIAL COUNTRIES. NEVERTHELESS THERE IS A GENUINE DESIRE OVER THE LONG-TERM TO CREATE BETTER BALANCE BETWEEN RATION OF DIRECT AND INDIRECT TAXES.

3. AT PRESENT GOJ IMPOSES RELATIVELY NEW INDIRECT TAXES. MOST RECEIPTS COME FROM LIQUOR, GASOLINE AND TAXES ON CONSUMER DURABLES AND LUXURY ITEMS. MOF FEELS THAT OF THE VARIOUS FORMS OF INDIRECT TAXATION VAT IS SUPERIOR.

4. MOF CONSIDERS VAT AN EFFICIENT TAX COLLECTION SYSTEM AND SEES NO PROBLEM OF IMPOSING IT IN JAPAN. MAJOR BUSINESS GROUPS FAVOR IT AND THERE CAN BE EXCEPTIONS FOR THE VERY SMALL BUSINESSMAN. IN PAST PROBLEM HAS BEEN THAT ECONOMIC CONDITIONS WERE INAPPROPRIATE FOR ITS INTRODUCTION. NOW THAT THE BUDGET WILL BE IN DEFICIT FOR SEVERAL YEARS, THAT SITUATION HAS CHANGED AND INTRODUCTION IS APPROPRIATE. NEVERTHELESS MOF OFFICIALS FULLY RECOGNIZE THAT UNLIKE EXPERIENCE IN GERMANY OF U.K. INTRODUCTION OF VAT IN JAPAN WILL IN ALL PROBABILITY HAVE A VERY LARGE IMPACT ON PRICES. THIS IS ONE REASON WHY DISCUSSIONS OF ADVANTAGES AND DISADVANTAGES OF VAT REMAIN VERY LIVELY WITHIN GOJ. EVIDENTLY ONE POSSIBILITY BEING CONSIDERED IS TO COMPUTE AND PUBLISH CONSUMER PRICE INDEX EXCLUDING VAT.

HODGSON

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX CHANGES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976TOKYO02226  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760056-0548  
**From:** TOKYO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760248/aaaabqbj.tel  
**Line Count:** 96  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION STR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 MTN GENEVA 958  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 26 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <26 MAR 2004 by ElyME>; APPROVED <01 JUL 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** JAPAN IS STILL CONSIDERING VAT  
**TAGS:** EFIN, ETRD, JA, MTN  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006